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Demand Stimulus Package Expected In September

Japan's ruling Liberal Democratic Party announced last week that it will complete an economic stimulus package by September 20 that includes Y3 trillion ($19.4 billion at Y155=$1.00) in public works projects. A supplementary budget to cover the projects will be submitted to the extraordinary Diet session convening September 11.

The debate over the ingredients of the program highlights differences between the Ministries of International Trade and Industry and Finance. MITI officials have argued for a sizable increase in public spending to boost

reference to the much higher price of Japanese-produced coal. The new MITI head replied that it would be difficult to comply in the short term, but that Tokyo's efforts to restructure the economy in favor of domestic demand should ultimately provide larger markets for Australian goods. Mr. Tamura also urged the Australian government to take a stronger hand in improving the competitiveness of its exporters.

Beef exports were the subject August 12 when Agriculture, Forestry and Fisheries Minister Mutsuki Kato entertained the visiting Australian. Opinions were less harmonious on this subject since Mr. Dawkins claimed that Japan's protectionist policies were the main impediment to increased beef imports. The two agreed, however, to start bilateral talks on beef trade in early 1987.

At his last meeting, Mr. Dawkins met with Finance Ministry officials to discuss the impact of financial liberalization in Japan and Australia. Both governments have been deregulating domestic banking markets in an effort to more completely integrate their financial systems with global money mechanisms. Both are experiencing some disruptions and the two sides exchanged notes on problems and solutions. Canberra plans to send an investment mission to Japan in November and expects a reciprocal visit in 1987.

The surprising agreement on agricultural trade liberalization overshadowed some of the differences on other issues. Whether the two sides really see eye-to-eye will be revealed at the GATT meeting in September.

Jon Choy

MITI To Stimulate Japanese Investment In ASEAN Countries

The Ministry of International Trade and Industry has announced a plan to promote direct investment in member countries of the Association of Southeast Asian Nations. MITI's plan consists of an effort to expand the export-oriented industries of five ASEAN countries: Indonesia, Thailand, Malaysia, the Philippines and Singapore. (Brunei, the sixth member, is not included.) The decision came in response to ASEAN requests made at last July's Japan-ASEAN forum. The ASEAN countries are alarmed at the effect that falling Japanese investment in Asia is having on their foreign exchange reserves, especially now that the prices of many raw materials vital to export earnings are down.

Presently, ASEAN exports primarily mineral resources to Japan and imports primarily manufactured goods (see Table). Since approximately 30 percent of ASEAN exports are sold to Japan, officials are anxious to maintain the strong relationship, and are worried about the recent decline in Japanese imports. Moreover, because of the high substitutability of ASEAN's primary products, officials complain that Southeast Asia is too dependent on Japan, and have called for a more equal trading relationship (see JEI Report No. 27A, July 19, 1985).

MITI has said that, initially, the "Overseas Investment Cooperation Scheme" will be directed at Indonesia, Malaysia and Thailand. MITI is considering assisting Indonesia's nonelectric machinery sector, Malaysia's semiconductor and consumer electronics industries, and Thailand's furniture, food

Japan's Trade With ASEAN Countries*

(in millions of dollars)

	1984	1985
Exports		
Food	$164.5	$124.3
Textiles and Apparel	560.2	485.8
Cotton Fabrics	59.6	65.8
Synthetic Fabrics	229.7	187.6
Chemicals	1,144.6	979.5
Fertilizers	59.9	57.2
Plastics	376.6	289.9
Nonmetallic Mineral Manufactures	257.8	216.4
Metals and Fabricated Metal Products	2,329.1	1,856.5
Iron and Steel Products	1,631.8	1,307.9
Nonferrous Metals	188.1	151.8
Metal Products	509.1	396.9
Machinery and Transport Equipment	8,481.3	6,569.5
Power Generating Equipment	377.1	304.5
Office Machinery	159.4	193.9
Metalworking Equipment	188.3	111.4
Textile Equipment	97.4	68.6
Electric Power Machinery	289.3	212.4
Televisions	103.5	86.8
Radios	173.7	146.0
Electronic Components	745.2	599.8
Motor Vehicles	1363.7	778.1
Vessels	415.9	376.7
Precision Equipment	229.6	235.3
Tape Recorders	354.1	232.0
Other	1,125.3	936.4
Total	14,062.6	11,168.2
Imports		
Food	$1,313.5	$1,280.0
Textile Raw Materials	27.7	31.4
Metal Ores and Scrap	777.7	726.3
Iron Ore	160.6	151.7
Iron and Steel Scrap	9.8	12.2
Nonferrous Metal Scrap	566.9	509.4
Other Raw Materials	2,536.5	2,148.1
Natural Rubber	498.3	396.4
Wood	1,699.6	1,446.7
Mineral Fuels	13,319.0	12,274.6
Petroleum Products	2,335.5	1,926.8
Chemicals	259.2	305.8
Machinery and Transport Equipment	423.5	342.7
Office Machinery	6.5	13.6
Vessels	33.9	0.3
Precision Instruments	33.7	35.2
Other	1164.3	1204.1
Iron and Steel Products	47.1	62.6
Textiles	96.3	85.3
Nonferrous Metals	652.1	602.2
Toys and Games	5.4	7.6
Total	19,821.2	18,313.0

*Thailand, Singapore, Malaysia, Philippines, Indonesia. (Brunei is excluded.)

Source: Japan Tariff Association, The Summary Report: Trade of Japan

processing and plastic molding plants. Tokyo plans to encourage the formation of joint ventures, especially those that would facilitate the transfer of technology and expand ASEAN's export markets.

Special emphasis will be given to improving infrastructure linkages, training more ASEAN engineers, and extending low-interest loans both to ASEAN countries and to Japanese firms that participate in the effort. Japanese officials hope that this plan will encourage the member nations to loosen many of the foreign capital regulations that presently discourage Japanese firms from investing in Southeast Asia.

Although officials see the initiative as a step toward improving close regional relations, a number of other problems remain unresolved. For example, while ASEAN officials had hoped to use the July forum to win tariff reductions on boneless chicken, bananas, coconut oil and other items -- as well as expanded import quotas for pineapples -- Japan only emphasized that it would pursue the efforts that were already under way. Even with regard to the new MITI plan, many ASEAN officials are reserving judgment until they see evidence of Japan's promises. If the plan is put into action, however, it could be an important step toward alleviating one of ASEAN's major complaints: Japan's import concentration on primary products rather than manufactured goods. Another positive result may be a shift of Japanese investment away from already developed sectors toward those likely to open new export markets for member nations.

Eileen Marie Doherty

Washington Bids Tokyo To Open Airport Bidding

Washington is maintaining pressure on Tokyo to open the bidding process for the Kansai International Airport project to international competition. Although Tokyo is coming around to this view, it now claims that the initial construction phase is too far along to entertain new bids. Administration officials are missing no opportunity, however, to prod the Japanese on this issue.

The Ministry of Transportation began to consider building a major new airport facility in western Japan in 1968 after finding that the Osaka airport could not be expanded because of noise and pollution problems. The Kansai International Airport Co., Ltd., the project manager, was created by the national government, the Osaka government (which together own a majority interest) and private industry. The major problem facing the new company was negotiating a compensation package for local fishermen who stood to lose fishing grounds because of the airport's location -- 3.5 miles offshore from the Sennan area of Osaka. Construction was actually scheduled to start this year, but negotiators failed to reach a settlement until March, when it was agreed that the airport company would pay 4,400 fishermen in two prefectures a total of Y40.3 billion ($260 million at Y155=$1.00). The bidding for the first phase of construction will be held this fall and the work will begin immediately.

When the airport opens in 1993, it will have cost an estimated Y1 trillion ($6.5 billion); will accommodate 18.2 million passengers and 657,000